UNITED
NATIONS

ST

Secretariat

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8 January 1996

INFORMATION CIRCULAR

To: Staff members who are liable to pay income taxes to United States tax authorities on United Nations salaries and emoluments

From: The Controller

Subject: PAYMENT OF INCOME TAXES*

DEADLINES FOR SUBMISSION
OF REQUESTS FOR REIMBURSEMENT OF 1995 TAXES:

| | |
|---|---|
| Staff serving in the United States: | 1 March 1996 |
| Staff serving elsewhere: | 1 April 1996 |

DATES AND HOURS FOR INQUIRIES:

1 February through 5 April 1996
Mondays, Wednesdays and Fridays from 1.30 P.M. to 5.30 P.M.
Income Tax/Payroll Unit, Room S-1830
Telephone (212)963-2949; Fax (212)963-4184

Note

The present circular contains important information about the reimbursement of income tax by the United Nations. Read it

* Personnel Manual index No. 3070.

carefully and be sure that anybody you ask to assist you in the preparation of your tax returns reads it also. You will be required to certify as to the accuracy of certain statements made in your request for reimbursement and to give consent to the Organization to obtain certain verifications directly from the Internal Revenue Service. This is explained fully in paragraphs 5 to 9 below. Please note especially paragraph 8, which defines your responsibility for informing the Organization of any change in your tax liability or filing of amended tax returns for any reason.

TAX ADVICE AND TAX FORMS. Staff members needing detailed tax advice and/or tax forms should refer to paragraphs 23 to 25 for further information and a listing of telephone numbers for the IRS and state tax help lines.

MINIMIZING OF TAX. You are required to make maximum use of all exemptions, adjustments to income, and deductions available to you and to certify to this effect (see paragraphs 12 to 15).

TWO-PARTY CHEQUES. Cheques for reimbursement of taxes or for tax advances will normally be made payable jointly to you and to a taxing authority (two-party cheques). They must either be endorsed by you and transmitted to the appropriate tax authorities or returned to the Tax Unit. Two-party cheques must NEVER be deposited into your personal account.

STAFF MEMBERS DUE LARGE REFUNDS FROM TAX AUTHORITIES. Large refunds are often due to overpayment of tax advances by the United Nations. Please refer to paragraphs 48 to 50 for an explanation as to how any excess reimbursements for 1995 will be handled.

CHANGES IN 1995 AND 1996 SOCIAL SECURITY CONTRIBUTIONS (SELF-EMPLOYMENT TAXES). All United Nations staff members who are United States citizens resident in the United States must pay Social Security contributions (self-employment tax) on United Nations earnings. See paragraphs 64 to 66 for changes in the amounts of income subject to self-employment tax.

TAXPAYING STAFF MEMBERS STATIONED OUTSIDE THE UNITED STATES. If you were assigned to a United Nations office or mission outside the United States during 1994 or 1995 or 1996, you should give particular attention to the information contained in paragraphs 70 to 92.

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## INTRODUCTION

1. A staff member who is a United States citizen or a permanent resident (green card holder) who has signed the waiver of immunities is, as a rule, subject to taxation by the United States on his or her earnings from the United Nations. It is the staff member's PERSONAL RESPONSIBILITY to ascertain and meet his or her legal obligations, if any, arising under United States federal, state and municipal income tax laws.

2. A staff member who is liable for such taxes for 1995 and/or 1996 and who wishes to claim reimbursement from the United Nations may apply for reimbursement of such taxes in accordance with the procedures set out in the present circular.

## I. UNITED NATIONS POLICIES ON INCOME TAX REIMBURSEMENT

### A. Rationale for reimbursement of taxes levied on United Nations income

3. Most Member States, by acceding to section 18 (b) of the Convention on the Privileges and Immunities of the United Nations, have exempted United Nations staff members from national taxation of their official emoluments. A few Member States, however, have not done so in respect of their citizens or permanent residents, and these staff members may thus be required to pay taxes on their United Nations income. In the interests of equity, the General Assembly therefore established a system to reimburse income taxes to those staff members of the United Nations who are required to pay taxes in respect of salaries or other emoluments which they receive from the United Nations.

4. The purpose of the reimbursement system is to place United Nations staff members subject to taxation in the position they would have had if their official emoluments were not taxed. Hence, it is intended neither to provide a benefit, nor to place the staff member at a disadvantage, in relation to other United Nations staff members who are not required to pay taxes to a Member State on their United Nations emoluments. United Nations staff regulation 3.3 (f) (i) stipulates that in no case shall the reimbursement by the United Nations exceed the final income taxes actually paid and payable in respect of a staff member's United Nations income.

B. Requirements for applications for reimbursement or for advances to pay estimated taxes

5. Staff members applying for reimbursement of federal, state or municipal taxes or for advances to pay estimated taxes must submit a duly signed and completed application. A complete application consists of several elements: (a) a request for settlement of income tax (United Nations form F.65 plus form F.65/A, if applicable); (b) a properly filled out consent for the Internal Revenue Service (IRS) to disclose tax return information to the United Nations (United Nations form F.243); and (c) in the case of requests for reimbursement of taxes, true, complete and signed copies of the relevant tax returns and supporting information for the year for which reimbursement is requested. If an application for reimbursement of taxes includes tax returns for states other than New York, New Jersey, Connecticut, Washington D.C., and Virginia, or for municipal authorities other than New York City or Yonkers, the tax rates and relevant instructions issued by the tax authority must be attached to the application.

6. A REQUEST FOR REIMBURSEMENT OR FOR ADVANCES WILL BE CONSIDERED AS INCOMPLETE IF NOT ACCOMPANIED BY PROPERLY COMPLETED FORMS F.65 (PLUS FORM F.65/A, IF APPLICABLE) AND F.243, AND IT WILL BE RETURNED TO THE STAFF MEMBER.

7. All applicable spaces on form F.65 must be filled in as completely as possible. A claim for reimbursement of income taxes with a form F.65 that does not include a staff member's index number will be returned to the staff member. The Payroll Unit relies on current information, such as home address, office location and telephone extension in order to facilitate communication with staff members. A staff member's home address on form F.65 should be the same as the home address indicated on IRS form 1040.

8. In signing form F.65, staff members certify and undertake very specific obligations as a condition of receiving reimbursement or advances. Staff members agree specifically inter alia to notify the United Nations within 30 days of: (a) any amended returns filed with the tax authorities subsequent to the copies submitted to the United Nations; and (b) any change in the staff member's tax liability which might require adjustment of taxes, whether that change takes place before or after the return is filed, whether or not that change pertains to the staff member's United Nations income, and whether or not a joint return is filed. Because changes in income from non-United Nations sources or changes in deductions are likely to affect the amount of the United Nations reimbursement, any kind of change in tax liability must be reported to the United Nations. Failure to adhere to these obligations may result in: (a) suspension of issuance of further tax reimbursement cheques; (b) recovery of

amounts already advanced and/or paid; and (c) possible disciplinary action.

9. In completing and signing form F.243, a staff member consents to authorize the Internal Revenue Service to disclose certain tax information to the United Nations for verifying actual income taxes paid to the United States. This consent may be revoked within 75 days of signature. However, if consent is revoked, the staff member must immediately repay to the United Nations the entire amount of any tax reimbursement payments, including those for federal, state and municipal taxes, received subsequent to the filing of the revoked consent. The staff member may also be required to repay other tax reimbursement payments received in respect of the tax years to which the revoked consent refers. If such repayments are not made promptly, the amounts may be deducted, pursuant to staff rule 103.18, from future payments by the Organization of salaries and other emoluments, and appropriate disciplinary action may also be taken. Normally the completion of one form F.243 at the time of application for reimbursement will be sufficient for the whole year. However, staff members may be required to complete and sign another form F.243 at any time during the year.

10. Form F.243 must be filed with no changes or alterations to the form itself, except as specified in the directions at the bottom of the form and must be submitted with an original signature and date. Faxed copies of completed form F.243 are not acceptable because they do not have an original signature and date. The use of white-out or any subsequent corrections to form F.243 are not permitted. Any changes to form F.243 will result in delays in the processing of claims. Please adhere to the standard American dating convention of MONTH/DAY/YEAR and not the normal United Nations date format when completing form F.243. Reimbursement requests with a form F.243 in which the dating is ambiguous will be returned.

11. In cases where a staff member has filed a claim for reimbursement that must be returned by the Payroll/Income Tax Unit because of an error or some other deficiency, the staff member will receive a Notice of Correction. If the staff member fails to respond to the Notice of Correction in a timely manner, there may be substantial delays in processing the reimbursement request.

### C. Obligation to minimize tax liability

12. In order to minimize the burden on the Tax Equalization Fund, of which the Secretary-General is the trustee, and on voluntary funds from which tax reimbursements may be made, a staff member claiming reimbursement is required to make maximum use of all exemptions, adjustments to income, and deductions in

order to minimize her or his tax liability. In claiming a reimbursement from the United Nations, a staff member, inter alia, certifies and agrees on the Request for settlement of income taxes (form F.65) that he or she will minimize his or her taxes.

13. For married staff members, the filing of joint tax returns in most cases results in a lower tax liability both for the staff member and for the United Nations. Married staff members choosing to file separately must provide an acceptable written explanation for selecting that filing status. Staff members who receive a dependency allowance from the United Nations for their spouse must file jointly. Filing of joint federal returns by citizens and resident aliens with spouses who are non-resident aliens is permitted. New York State income tax laws require that taxpayers who file joint federal returns must, with very few exceptions, file joint New York State returns.

14. Staff members are required to itemize deductions if these would exceed the standard deductions allowable. Staff members should refer to the specific instructions issued by the tax authorities for examples of deductions allowed. If a staff member does not itemize deductions and it is determined by the United Nations that itemizing deductions would result in a lower tax, the tax returns will be returned to the staff member as INCOMPLETE, and she or he will be required to resubmit the returns with an itemized deduction schedule.

15. Staff members who have received United Nations dependency allowances for their relatives residing in the United States are required to claim the appropriate exemptions for the dependents, even if their filing status is married filing separately. Staff members who received dependency allowances for secondary dependents must claim the exemptions or provide an acceptable written explanation as to the reason for not doing so.

## D. Issuance of tax cheques by the United Nations

16. Cheques issued as the final settlement or advances for federal or state or municipal income tax liabilities attributable to United Nations earnings will usually be made payable jointly to the income tax authority and the staff member ("two-party cheques"). The staff member must endorse such cheques, thereby making them payable to the tax authority and then forward the endorsed cheques to the tax authority. Two-party cheques payable to a tax authority and a staff member must NEVER, under any circumstances, be deposited into a personal account.

17. FAILURE TO ENDORSE AND FORWARD TWO-PARTY CHEQUES PROMPTLY TO THE APPROPRIATE INCOME TAX AUTHORITIES MAY RESULT IN A SUSPENSION OF ISSUANCE OF FURTHER TAX CHEQUES. DEPOSITING A TWO-PARTY CHEQUE INTO A PERSONAL ACCOUNT MAY RESULT IN SUSPENSION OF ISSUANCE OF FURTHER TAX CHEQUES, RECOVERY OF AMOUNTS ALREADY ADVANCED AND/OR PAID, AND POSSIBLE DISCIPLINARY ACTION.

18. An exception to the United Nations procedure of issuing two-party cheques will be made only if the staff member provides proof that full payment of income taxes has already been made at the time the claim is submitted. Generally proof of payment means copies of both sides of cancelled personal cheques made payable to the tax authorities. When such proof of prior payment is provided by a staff member at the time of submission of her or his claim, a single-party cheque payable solely to the staff member will be issued

19. Staff members are urged to keep a record of the number of each cheque received from the United Nations for tax purposes. The tax authorities require each taxpayer to enter her or his Social Security number on each cheque so that the cheque will be credited by the tax authority to the proper account. Staff members should verify that the Social Security number printed on the face of each tax cheque they receive is correct. Staff members who need to obtain copies of cancelled cheques will be able to obtain them only by providing the United Nations with the actual CHEQUE NUMBERS together with an acceptable justification for the request. Requests for copies of cancelled cheques without cheque numbers will be honoured only when available resources permit.

20. Staff members who expect to be on official travel or leave on the date that tax cheques are issued should make prior arrangements with their executive offices to have the cheques issued early and forwarded to them, so that they can endorse and send the cheques to the appropriate tax authorities before the date on which tax returns or estimated payments are due. It may not always be possible for the Payroll Unit to accomodate requests for early cheques.

## E. Limitation on retroactivity of claims for reimbursement of taxes

21. The reimbursement of income taxes shall be deemed to be claimable by staff members on the last date on which their return for a particular year must be filed with the tax authority, without any extension of time for filing other than the automatic extension for staff serving abroad. In accordance with staff rule 103.15, no claims for reimbursement of tax will be entertained beyond one year after that date, unless the United Nations accepts that there are reasonable extenuating

circumstances. In such cases, a staff member may request that the time limit in staff rule 103.15 be waived, supporting such a request by a written explanation for the delay and the circumstances which resulted in the failure to submit the claim for reimbursement within the prescribed period. Staff members will be required to submit sufficient documentary proof of the actual tax returns filed with the respective tax authorities.

## F. Policy regarding interest and penalties imposed by tax authorities

22. As the responsibility for filing complete, correct and timely tax returns and estimated tax payments with any amounts due is that of the individual taxpayer, the United Nations will not reimburse staff members for interest or penalties imposed by tax authorities on their United Nations earnings. There are three exceptions to this rule. The United Nations may reimburse interest and penalty charges which arise from: (a) delays or incorrect written instructions or incorrect earnings data which are acknowledged by the United Nations as being the responsibility of the Organization; (b) extensions for staff members serving the United Nations outside the United States; or (c) underpayment of tax advances by the United Nations under the provisions of paragraph 56 (c), (d) and (e) below.

## G. Income tax assistance, inquiries and forms

23. Neither the Office of Programme Planning, Budget and Accounts nor the Office of Legal Affairs is staffed to provide advice or assistance to staff members on tax matters other than in relation to the treatment of United Nations earnings, and neither office can communicate directly with tax authorities on a staff member's behalf. Under the provisions of staff regulation 1.6, staff members are not permitted to provide assistance in income tax matters to other staff members for remuneration without the prior approval of the Secretary General. Accordingly, should advice on non-United Nations-related aspects of income tax returns be needed, the staff member should consult government income tax authorities or tax preparation services. Staff members may wish to obtain a free copy of Publication 17, the Tax Guide for Individuals, which is issued annually by the Internal Revenue Service.

Specific information on all general tax matters may be obtained by calling the following numbers:

| | |
|---|---|
| Internal Revenue Service | 800-829-1040 |
| New York State Department of Taxation and Finance | 800-225-5829 |
| State of New Jersey, Department of the Treasury, Division of Taxation | 800-323-4400 or 609-588-2200 |
| State of Connecticut, Department of Revenue Services | 800-382-9463 or 203-566-7033 |

NY, NJ and CT 800 numbers can be dialled in-State only.

24. In order to allow the Payroll Unit adequate time in which to complete the processing of tax returns, inquiries will be received by the Payroll Unit only during the hours of 1.30 P.M. to 5.30 P.M. on Mondays, Wednesdays and Fridays commencing 1 February through 5 April 1996. These inquiries can be made by telephone (212 963-2949), fax (212 963-4184) or in person in room S-1830. Staff members outside the United States who need more information or assistance may contact the Payroll Unit at any time by telephone, fax or letter.

25. Most forms required for filing federal and state returns are available in local banks and post offices. The Payroll Unit will attempt to maintain a supply of a few basic forms outside Room S-1830, which will be available to staff members on a limited basis. However, most tax forms will have to be obtained directly from the competent tax authorities. Tax forms and tax information publications may be ordered by calling the following numbers:

| | |
|---|---|
| Internal Revenue Service | 800-829-3676 |
| New York State Department of Taxation and Finance | 800-462-8100 |
| State of New Jersey , Department of the Treasury, Division of Taxation | 800-323-4400 or 609-588-2200 |
| State of Connecticut, Department of Revenue Services | 800-382-9463 or 203-297-4753 |

NY, NJ and CT 800 numbers can be dialled in-State only.

## II. PROCEDURES FOR REIMBURSEMENT OF FEDERAL, STATE AND MUNICIPAL INCOME TAXES FOR CALENDAR YEAR 1995

### A. Computation of the reimbursement

26. For the calendar year 1995, as in previous years, the method of computing the federal, state and municipal taxes payable on United Nations earnings and, thus, the amount which the United Nations will reimburse to a staff member is as follows.

27. The tax attributable to United Nations salary and emoluments is considered to be the DIFFERENCE between: (a) the total tax payable for the year as shown in the copies of the tax return submitted by the staff member with the United Nations income (as shown on the statement of taxable earnings) INCLUDED and (b) the tax that would be payable if United Nations income were EXCLUDED from total income.

28. Both calculations (a) and (b) above use the actual total deduction and the actual deduction for exemptions claimed by the staff member on her or his tax return. The adjustment to income for one half of self-employment tax (see para. 67 below) is considered to be an adjustment against United Nations income to the extent that this self-employment tax is attributable to United Nations income. All tax credits, such as the earned income credit (EIC), the child and dependent care credit, the elderly and disabled credit, and the foreign tax credit, are applied to reduce the total income tax liability and do not affect either calculation.

## B. Statement of taxable earnings

29. Each staff member on the Headquarters payroll who is subject to United States taxes will receive a detailed statement of his or her United Nations taxable earnings for 1995 on United Nations form F.42, "Statement of taxable earnings". The statements will be issued before 31 January 1996.

30. A staff member who: (a) was payrolled at any time in 1995 by the Economic Commission for Africa (ECA), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Environment Programme (UNEP), the United Nations Centre for Human Settlements (UNCHS), the United Nations Office at Geneva (UNOG), the United Nations Office at Vienna (UNOV), the United Nations University (UNU), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) or the International Tribunal in the Hague; and (b) is required to file a United States federal income tax return, should receive a statement of his or her United Nations taxable earnings directly from the finance office at that location. Staff members who were on the payrolls of more than one office during 1995 should receive a separate statement of taxable earnings from each one; their total United Nations taxable income is the total of all such statements.

31. Staff members will note that their statement of taxable earnings includes a paragraph which explains that, since remuneration from an international organisation is not subject to withholding, the United Nations is exempt from issuing a Wage and Tax Statement, IRS form W-2, per se. In order to provide

equivalent information to the tax authorities, staff members should attach the United Nations statement of taxable earnings to the income tax return that he or she files with the appropriate tax authorities, i.e., the top copy to the federal return (IRS form 1040), the second to the state return and the third, if necessary, to any separate municipal return. The fourth copy is for the staff member. A copy of the statement(s) of taxable earnings must also be attached to the copy of the returns included with the request for reimbursement of taxes.

32. The following types of payments made by the United Nations to staff members during the calendar year 1995 are included in the statement of taxable earnings (F.42) for 1995:

(a) Gross salary (before the deduction of staff assessment)
(b) Overtime and night differential
(c) Post adjustment
(d) Dependency allowance
(e) Mobility and hardship allowance (including hazard pay, where applicable)
(f) Representation allowance
(g) Education grant
(h) Assignment grant
(i) Travel on appointment
(j) Removal of household effects
(k) Home leave travel
(l) Rental subsidy

The taxable portion of a partial or full distribution received from the United Nations Joint Staff Pension Fund (see paras. 94 to 98 below) along with any other taxable separation payments, such as accrued annual leave, repatriation grant or termination indemnity will also be included on the statement in the case of staff members who have separated from the Organization. United Nations daily subsistance allowances (DSA) and mission subsistance allowances (MSA) are not taxable distributions.

33. The total of all types of payments shown on the statement of taxable earnings (F.42) is the amount that will be reported directly by the United Nations to the United States Internal Revenue Service and is the amount that should be reflected in the staff member's income tax returns. Every possible effort will be made to ensure that all taxable income items have been included on the statement of taxable earnings. However, even if some items have been omitted, it remains the responsibility of the staff member to include all taxable items on her or his tax return and to inform the Headquarters Payroll Unit of the amount and date received of any item omitted from the statement of taxable earnings.

34. United Nations emoluments are considered wages or earnings from employment and they must be reported as such on line 7 of IRS form 1040, "Wages, salaries, tips, etc.". United Nations

earnings should not be reported as part of business income on IRS Schedule "C", which is normally not filed by United Nations staff members. Any claims for reimbursement using Schedule "C" to reduce United Nations earnings subject to income taxes will be returned to the staff member for correction.

C. Social Security numbers or taxpayer account numbers

35. The United States Internal Revenue Service, in connection with the operation of its automatic data processing programme, requires that taxpayers indicate their Social Security number on their tax return for use as a taxpayer account number. Under the Internal Revenue Code, a penalty may be imposed for failure to supply an account or identification number, unless the taxpayer can show that the failure was due to reasonable cause.

36. Staff members who are liable to pay United States federal income tax must obtain a Social Security or taxpayer account number, even if they are not citizens or if their United Nations earnings are not otherwise subject to Social Security coverage. If a number is needed, the staff member should file federal application form SS-5 with the local office of the Social Security Administration. If a number has been applied for, but not received by the due date for filing, tax returns should be filed anyway and the words "Applied for" entered in the space provided for the number. Missing or incorrect Social Security numbers may result in the tax authority applying stringent penalties. Therefore, staff members are urged to apply for and to provide the Payroll Unit with their Social Security numbers.

D. Office to which settlement claims are to be submitted

37. All staff members (except those who are or were payrolled by UNRWA) requesting reimbursement of income taxes for the calendar year 1995 should submit their completed applications to the Payroll Unit of the Office of Programme Planning, Budget and Accounts, Room S-1830, United Nations Headquarters. UNRWA staff members should submit their applications for reimbursement to the UNRWA finance office.

E. Deadline for submission of settlement claims for 1995

38. All staff members serving in the United States should submit their completed applications for reimbursement as soon as possible after receipt of the statement of taxable earnings (F.42), but NOT LATER THAN 1 MARCH 1996. As discussed in paragraphs 72 and 73 below, for staff members serving outside the United States on or after 1 February 1996, the deadline for submission of applications for reimbursement is 1 APRIL 1996.

39. The Payroll Unit does not grant any extensions of time to submit claims for reimbursement of income taxes after the published submission deadlines.

40. All staff members who received advances to pay estimated taxes for the tax year 1995 must submit a copy of their final tax returns for 1995, together with form F.65 (Request for settlement of income taxes) and form F.243 to the Payroll Unit. If a staff member does not submit these by 13 September 1996, any tax advance payments which have been made to him or her WILL BE RECOVERED FROM SALARY starting the following month.

## F. Incomplete or incorrect applications

41. The elements of a complete application for reimbursement of taxes are set out in paragraphs 5 and 6 above. An incomplete application will not be considered a valid request and will be returned to the applicant. In such cases, the date of submission will be deemed to be the date of receipt of the corrected, complete return.

42. In recent years the use of computerized tax preparation packages by commercial tax preparers has become widespread, and some of them include the electronic filing of tax returns with the Internal Revenue Service. The paper copies of tax returns generated from computer software can be accepted by the Payroll Unit as the required copy of a staff member's return only if there is a fully printed description for each line number of the tax return comparable to the line descriptions on federal and state returns. Computerized tax return forms which contain only line numbers and amounts are NOT acceptable.

43. If the Payroll Unit determines, in the course of processing a request for reimbursement, that an error has been made by a staff member in his or her tax return(s), it will issue to the staff member a written notice of corrections to be made to the tax return(s). Staff members should not, however, rely on the Payroll Unit to detect errors; they remain fully responsible for filing correct returns with the tax authorities. Staff members who receive notices of correction are required to certify that they have made the necessary changes to their tax returns and have submitted the corrected returns to the tax authorities. They must return the notification of correction to the Payroll Unit along with a copy of the corrected return(s) which they certify have been sent to the tax authorities. The United Nations will not be responsible for any delays in the issuance of tax cheques because of the requirement for returning the correction notification form with a copy of the corrected return(s) to the Payroll Unit.

44. In instances when staff members have already filed their returns with the tax authorities before the receipt of a notification of correction from the Payroll Unit, they must submit appropriate AMENDED returns to the tax authorities and submit copies of the amended return(s) to the Payroll Unit.

45. The failure of a staff member to return complete and correct copies of tax returns to the Payroll Unit within 30 days of the date of a correction notification may result in the suspension of future quarterly tax advance cheques and the recovery of advances already paid.

## G. Issuance of final 1995 tax payment cheques

46. Final tax reimbursement cheques will be issued by 5 April 1996 to all staff members whose claims are submitted on time by the deadline of 1 March 1996. Staff members whose advances to pay estimated taxes for 1995 exceeded their entitlements to tax reimbursement for 1995 for both federal and state returns receive no reimbursement cheques. Staff members whose advances to pay estimated taxes for 1995 were less than their entitlement to tax reimbursement for 1995 will receive either one or two reimbursement cheques for each return.

47. When two reimbursement cheques are received for a particular tax return, one of the cheques will be a two-party cheque payable jointly to the staff member and the taxing authority, and the other cheque will be a single-party cheque payable solely to the staff member. The staff member must endorse any two-party cheques and forward them solely to the appropriate tax authority. Two-party cheques payable to a tax authority and a staff member must NEVER be deposited into a personal account.

## H. Overpayment of tax advances

48. If a staff member has received advances to pay estimated taxes for 1995 from the United Nations which exceed his or her entitlement to reimbursement for the United Nations' share of the total tax liability for 1995, the amount of excess reimbursement for 1995 will normally be considered by the United Nations to be estimated tax payments for 1996. The total amount of new advances paid for 1996 estimated taxes will be reduced accordingly. Such excess amounts are indicated on the transmittal statement accompanying 1995 reimbursement cheques and/or 1996 advance cheques. Any such excess payments for 1995 will be deducted from the first quarter tax advance cheque for 1996 and, if necessary, from subsequent quarterly tax advance cheques.

49. In such cases staff members should be aware that they may incur penalties and interest if the total amount of estimated tax

payments for 1996 are significantly underpaid as a result of the reduction in the 1996 advance cheques issued by the United Nations. Staff members will need either to designate on their 1995 tax returns a portion of any 1995 refunds due as an estimated payment for 1996 and/or to make additional estimated tax payments for 1996 directly.

50. In certain instances United Nations advances received to pay estimated taxes for 1995 may have greatly exceeded the staff member's total taxes due and the staff member is eligible for an unusually large refund from the tax authority. In these instances most or all of the potential refund is due to and payable to the United Nations, and this excess reimbursement for 1995 by the United Nations cannot be recovered in a reasonable time by the normal method of reducing the staff member's 1996 tax advances. In such circumstances the staff member must request a full refund on her or his 1995 tax return, endorse the refund cheque to the United Nations when it is received and return it to the Payroll Unit. The Payroll Unit will then issue another cheque payable to the staff member for whatever portion of the total 1995 refund was not due to the United Nations. Any such unusually large refunds from a tax authority, which are due to a significant overpayment of tax advances by the United Nations and which are not returned to the Payroll Unit within 90 days of the required filing date of the tax return, will be subject to immediate recovery from salary or final termination payments. A staff member who is uncertain whether a large refund from a tax authority must be treated in this fashion should consult with the Payroll/Income Tax Unit.

## I. Timely filing of tax returns

51. Whether or not United Nations final reimbursement cheques are received by the filing deadline of 15 April 1996, staff members should file their returns on time with the appropriate tax authorities unless they have filed a request for an extension to the deadline. This will avoid the substantial penalties for failure to file the tax return within the time prescribed by law. If the tax return is filed without total payment, IRS and other tax authorities will levy a charge for the failure to pay the tax or portion thereof when due. Staff members may wish to refer to IRS Notice 746 (rev.10-94) for further information about notice, penalties and interest. The United Nations will not pay any late filing penalties.

52. In this connection, the staff member is responsible for his or her share of the tax due and any interest and penalty related thereto. If, despite full compliance by the staff member with the procedures set out in the present circular, the United Nations cheques were not received, any interest and penalties levied will be dealt with in accordance with the provisions of paragraph 22 above.

## III. ADVANCES FOR ESTIMATED FEDERAL, NEW YORK, WASHINGTON D.C., VIRGINIA AND MARYLAND, AND NEW YORK CITY OR YONKERS INCOME TAXES FOR CALENDAR YEAR 1996

53. A staff member who will be liable to pay federal, state or municipal income taxes for 1996 is required to file, by 15 April 1996, a declaration of estimated tax on his or her estimated 1996 income, including salary and emoluments to be received from the United Nations. Instructions regarding the filing of the declaration of estimated income tax, showing how and when payments are to be made, can be found on IRS tax form 1040ES, New York tax form IT-2105, New Jersey tax form NJ-1040ES, and Connecticut form CT-1040ES.

54. Staff members should be aware that in order to avoid the penalty for underpayment of estimated taxes for 1996, in most circumstances they will be required to pay in equal quarterly instalments as estimates of their 1996 federal tax at least the lesser of: (a) 100 per cent of their actual 1995 tax liability (including the self-employment tax); or (b) 90 per cent of their estimated 1996 tax liability (including the self-employment tax).

55. IT IS THE RESPONSIBILITY OF STAFF MEMBERS TO INCLUDE ON THEIR ESTIMATED TAX FORMS, ESTIMATES OF ADDITIONAL TAXABLE INCOME FROM SOURCES OTHER THAN THE UNITED NATIONS AND TO PAY THE ESTIMATED TAX DUE THEREON.

56. The United Nations is prepared to assist staff members to meet their estimated tax obligations on United Nations income. To facilitate the payment of estimated taxes, quarterly cheques are issued to staff members on request and under the conditions prescribed below:

(a) A request for advances to pay 1996 estimated income taxes is made by completing the appropriate section of form F.65 (Request for settlement of income taxes), normally completed at the same time as the request for the 1995 final tax reimbursements.

(b) No advances to pay 1996 estimated income taxes will be made to any staff member who has received advances to pay 1995 estimated income taxes but who has not filed a completed tax form for 1995.

(c) No advances will be made to staff members who are working under an initial appointment contract with the United Nations which is less than six months. The United Nations will be prepared to reimburse any penalty incurred by the staff members related to underpayment of estimated taxes on such United Nations income.

(d) Staff members who have separated from the United Nations will receive no additional advances. In some instances retiring staff members who joined the Organization before 1 January 1980 will receive taxable lump-sum pension payments or other taxable distributions that will require additional estimated payments to be made to taxing authorities. The United Nations will not make further tax advances in these cases but will be prepared to reimburse any penalty incurred by the staff members related to the reimbursable portion of the United Nations payments.

(e) Advance cheques may be reduced or eliminated for staff members on mission or assignment outside the United States who are likely to qualify for the foreign income exclusion discussed in paragraphs 74 to 80 below. Should it be necessary, the United Nations will reimburse any resulting penalty incurred by the staff members related to underpayment of estimated taxes on United Nations income.

(f) The amounts of advances issued by the United Nations will be determined by the Payroll Unit; they will normally be based on earnings received from the United Nations and on the amount of taxes paid on United Nations income for the full year 1996 plus the United Nations portion of the Social Security (self-employment) taxes expected to be paid for 1996, if any.

(g) All tax advances issued during 1996 will be applied against the amount finally determined as reimbursable by the United Nations for the year 1996.

57. Estimated taxes are payable to the tax authorities in four quarterly instalments due on 15 April 1996, 17 June 1996, 16 September 1996 and 15 January 1997. Advance cheques for the first quarterly instalment of the 1996 taxes will be issued by 8 April 1996, and those for subsequent quarterly payments will be issued by 7 June 1996, 6 September 1996 and 5 January 1997.

58. In 1995 the United Nations changed the procedures for the payment of advances to IRS for estimated federal taxes. In lieu of individual cheques for the federal tax advances, the United Nations makes a direct deposit to IRS of regularly scheduled quarterly advances of federal estimated tax. This change has simplified tax payment procedures for many staff members and has decreased the number of errors and related IRS penalties as a result of cheques received late, lost or not credited to the proper accounts.

59. For most staff members paying taxes to the United States, tax advances granted are deposited directly with IRS for credit to the staff member's individual tax accounts as estimated payments received. Staff members who have not filed their requests for 1996 advances with the Payroll/Income Tax Unit by the Headquarters deadline of 1 March 1996 may receive their first advance for estimated federal taxes for 1996 by cheque rather

than direct deposit. However, in these instances, any subsequent advances in 1996 for federal estimated taxes will normally be made by direct deposit.

60. All advances for New York or other state/city estimated taxes will continue to be made by two-party cheque, payable jointly to the staff member and the tax authority. These state/city cheques must continue to be endorsed by the staff member and sent promptly with the proper form to the appropriate tax authority.

61. Staff members whose tax advance payments for estimated federal taxes are made by a direct deposit to IRS will be notified of the total amount of the direct deposit on the 1995 Statement of taxable earnings.

62. Staff members whose tax advance payments for the United Nations' share of their estimated federal taxes are made by direct deposit with IRS will, in many cases, still have to make additional estimated tax payments directly to IRS each quarter, using IRS form 1040-ES payment vouchers. Staff members who are United States citizens and are thus required to pay Social Security contributions on their United Nations earnings will need to make estimated federal tax payments for their own share of self-employment taxes due. All staff members with taxable income from sources other than the United Nations may need to make additional estimated federal tax payments each quarter as well.

## IV. SOCIAL SECURITY CONTRIBUTIONS (SELF-EMPLOYMENT TAXES)

63. It is mandatory that all United States citizens report any self-employment income and pay the appropriate self-employment tax. United States citizens (but not resident aliens (green card holders) who have signed a waiver of immunity) who are serving in the United States have Social Security coverage while employed by the United Nations. United States citizens serving abroad do not, except as indicated in paragraphs 91 and 92, have Social Security coverage; they are neither subject to self-employment tax nor can they obtain Social Security coverage by voluntary payments.

64. United States citizens serving in the United States and working for the United Nations are taxed on United Nations income AS IF THEY WERE self-employed. For 1995, self-employment income is taxed at the rate of 15.3 per cent on net earnings up to $61,200 and 2.9 per cent on net earnings in excess of $61,200. The calculation of net earnings for this purpose is based on an amount reflecting 92.35 per cent of total gross income received from the United Nations.

65. The General Assembly has approved payment of the difference between the amount of self-employment (Social Security) tax a

staff member of United States nationality is required to pay as a United Nations employee and the amount he or she would have to pay as the employee of a taxable employer. For 1995 this payment will cover the difference between 15.3 per cent and 7.65 per cent on United Nations earnings up to $61,200 and the difference between 2.9 per cent and 1.45 per cent on earnings in excess of $61,200.

66. For 1996, self-employment income is taxed at the rate of 15.3 per cent on net earnings (as defined in para. 64 above) up to $62,700 and 2.9 per cent on net earnings in excess of $62,700. The United Nations reimbursement will cover the difference beetween 15.3 per cent and 7.65 per cent on net earnings up to $62,700 and the difference between 2.9 per cent and 1.45 per cent on United Nations net earnings in excess of $62,700.

67. United States citizens employed by the United Nations in the United States must complete Schedule SE (Self-employment Tax) as part of their federal form 1040 to report their self-employment income. An adjustment to income for self-employment taxes due is allowed on a staff member's federal return and on some state returns as well. The amount of the adjustment to income is one half of the total self-employment tax reported on Schedule "SE". This adjustment to income must be reported on line 25 of IRS form 1040 and, if applicable, on line 17 of New York State forms IT201 and IT203.

68. An individual's total estimated tax is defined as the sum of his or her estimated income tax and estimated self-employment tax. This means that a United States citizen employed by the United Nations in the United States is required to pay her or his self-employment tax on a quarterly basis. The payment of any balance of the self-employment tax in respect of the year 1995 will be due on or before 15 April 1996 together with the federal income tax return.

69. Application for reimbursement of the United Nations portion of the Social Security contributions (self-employment tax) owed is made by completing form F.65 (Request for settlement of income taxes) and attaching a completed copy of federal tax schedule SE with the submitted tax return. The amount due from the United Nations in respect of Social Security contributions (self-employment tax) is automatically included in the quarterly payments made by the United Nations for estimated United States federal income tax. The amount of self-employment tax included in the quarterly payments will be specifically indicated on the transmittal statement that accompanies the tax advances. Quarterly payments by staff members for their own share of self-employment taxes should normally equal the amounts paid by the United Nations.

## V. SPECIAL PROVISIONS AND PROCEDURES APPLICABLE TO STAFF MEMBERS ASSIGNED TO A UNITED NATIONS OFFICE OUTSIDE THE UNITED STATES DURING 1994 OR 1995 OR 1996

### A. General comments

70. The United States tax regulations for taxpayers who are or have been outside the United States recently for long periods of time are especially complicated; United Nations tax reimbursement procedures necessarily reflect that complexity. Staff members with questions about these procedures, particularly those currently stationed outside the United States, should not hesitate to seek assistance from the Payroll Unit by letter, telephone (212 963-2949) or fax (212 963-4184), as outlined in paragraph 23.

71. Staff members who are stationed outside the United States on or after 1 February 1996 are expected to meet the deadlines and requirements discussed in the following paragraphs. To the maximum extent possible, the deadlines and other requirements have been designed to allow such staff members additional time to comply with them. Staff members who are unable for any reason to comply with the filing deadlines or other requirements must notify the Payroll Unit promptly and provide a written explanation of the circumstances.

### B. Filing deadlines

72. IRS grants taxpayers who are physically outside the United States on 15 April 1996 an automatic extension to 17 June 1996 for the filing of income tax returns for 1995, in recognition of the difficulties that such taxpayers may encounter in meeting the 15 April deadline. This extension to file is granted automatically, but a written statement certifying that the staff member is outside the United States must be attached to the return. Interest late payment penalties are charged on any tax payments owed and received after 15 April 1996. Please note that state tax authorities do not normally grant an automatic extension of time to file for overseas taxpayers. Staff members applying for an extension to file 1996 federal income tax returns have to apply separately for extensions to file any required state returns.

73. The United Nations takes this automatic filing extension into consideration by granting those staff members serving outside the United States on or after 1 February 1996 an additional month in which to submit their request for settlement. These staff members should submit a claim for tax reimbursement as soon as possible, but NOT LATER THAN 1 APRIL 1996. The United Nations will pay any interest and penalty accrued as a result of this extension either to the date of payment of any unpaid taxes

on United Nations income or to 17 June 1996, whichever is earlier.

C. Foreign earned income and housing cost exclusions

74. In certain circumstances the federal government and many states allow some or all income earned outside the United States to be excluded from total income before it is taxed. A staff member meeting either the PHYSICAL PRESENCE TEST or the BONA FIDE RESIDENCE TEST as follows must elect to exclude in one or more taxable years foreign earned income attributable to the period of residence outside the United States:

(a) To qualify for this foreign earned income exclusion under the PHYSICAL PRESENCE TEST, a staff member must be physically outside the United States for at least 330 full days during any period of 365 consecutive days. A full day means the 24-hour period that starts at midnight. The 330 full days may be interrupted by periods in the United States.

(b) Alternatively, to qualify for this foreign earned income exclusion under the BONA FIDE RESIDENCE TEST, the staff member must, in addition to being either a United States citizen or a United States resident alien who is a national of a country with which the United States has an income tax treaty in effect, be a BONA FIDE resident of a foreign country, or countries, for an uninterrupted period that includes a complete tax year, 1 January through 31 December. The determination whether a staff member is a BONA FIDE resident of a foreign country involves his or her intention about the length and nature of the stay. Generally, if a staff member goes to a foreign country for a definite, temporary purpose and returns to the United States after it is accomplished, she or he is not a BONA FIDE resident of that country. If accomplishing the purpose requires an extended, indefinite stay, and a staff member makes her or his home in the foreign country, she or he may qualify as a BONA FIDE resident.

75. Most staff members who qualify for the foreign income exclusion do so under the PHYSICAL PRESENCE TEST because they have been on assignment for the United Nations outside the United States for 330 days during some consecutive 365-day period. Some staff members, who have not yet been outside the United States long enough by early 1996 to qualify for the exclusion, are likely to qualify later in 1996 when their assignment has carried on for a year or so. The specific 365-day consecutive period during which a staff member is outside the United States for at least 330 full days is the QUALIFYING PERIOD for the foreign income exclusion. Very often the QUALIFYING PERIOD will cut across two calendar years and will therefore affect the staff member's tax returns for both years.

76. Staff members who have completed an assignment of more than 330 days outside the United States or who are likely to by the end of 1996 should contact the Payroll Unit to see if they are qualified or will be qualified to claim the foreign income exclusion. Staff members who have been on mission or assignment outside the United States during 1994, 1995 or 1996 must complete form F.65/A as a supplement to form F.65 (Request for settlement of income taxes) in order to help the Payroll Unit in determining whether or not staff members have qualified or are likely to qualify for the exclusion.

77. The maximum amount of foreign income which can be excluded is $70,000 per year for a staff member whose QUALIFYING PERIOD outside the United States is the full 12 months of the tax year. In most cases the amount of the maximum foreign income exclusion for a particular tax year is reduced in proportion to the number of days in a staff member's QUALIFYING PERIOD that fall within that tax year.

78. Some staff members who qualify for the general foreign earned income exclusion will also qualify for excluding and/or deducting an additional amount based upon foreign housing costs. Staff members who are eligible (see IRS form 2555 instructions for further details) must take the full housing cost exclusions and/or deductions permissible. These housing expenses include rent, utilities (other than telephone charges), real and personal property insurance, non-refundable fees paid to obtain a lease, rental of furniture and accessories, residential parking and household repairs.

79. If a staff member qualifies for federal income tax purposes for the foreign income exclusion for United Nations income earned outside the United States, such income can and must also be excluded from New York State, Connecticut, New York City and Yonkers income, if applicable. There is no foreign income exclusion allowed, however, as a reduction to New Jersey income.

80. In calculating a staff member's tax reimbursement with respect to United Nations income, any foreign income exclusion available and any housing costs exclusion or deduction will be applied against the staff member's United Nations earnings to the extent that these deductions resulted from the period of his or her service with the Organization.

### D. Filing procedures for staff members who have qualified for or are likely to qualify for foreign income exclusion for 1995

81. Staff members who by 15 April 1996 already qualify for a foreign income exclusion for part or all of 1995, because the end of their QUALIFYING PERIOD has already been reached, must claim the exclusion for 1995 by completing IRS form 2555, "Foreign

earned income", and including it with their completed federal tax return. All federal tax returns which include IRS form 2555 (including amended returns) must be sent to the Internal Revenue Service Center, Philadelphia, PA 19255, no matter what IRS filing center is normally used.

82. Staff members on mission or assignment outside the United States since 1995, who have not yet qualified for the foreign income exclusion but who think it likely that they will be outside the United States for 330 days during a QUALIFYING PERIOD that will end between 15 April 1996 and 30 September 1996, must take advantage of the IRS provision that allows them to postpone filing their 1995 tax returns until such time as they expect to qualify for the foreign income exclusion for 1995.

83. Staff members postponing their tax filing for 1995 for this reason who anticipate they will not qualify for the foreign income exclusion by 17 June 1996 (the extended filing date automatically granted by the IRS to taxpayers physically out of the United States on 15 April) should file IRS form 2350, "Application for extension of time to file U.S. Income Tax Return." This form 2350 should be sent to the Internal Revenue Service Center, Philadelphia, PA 19255 no later than 17 June 1996. Staff members must also notify the Payroll Unit that they have postponed filing with IRS and accordingly will not be able to meet the Payroll Unit's 15 April 1996 deadline for submission of settlement claims for 1995.

84. Staff members who qualified for the foreign income exclusion for 1995 may in some cases have received tax advances for 1995 substantially in excess of the United Nations share of their total tax liabilities. Staff members in this situation should refer to paragraphs 48 to 50 on overpayments of tax advances.

### E. Requirements for amended tax returns in certain circumstances

85. Staff members on mission or assignment outside the United States in 1996 who have not yet qualified for the foreign income exclusion for 1995 and who do not expect to qualify by 30 September 1996 must submit their settlement claim for 1995 to the Payroll Unit by the regular deadline of 1 April 1996 and file their returns for 1996 with the taxing authorities as discussed in paragraphs 70 and 71. Should they subsequently qualify for the foreign income exclusion with a QUALIFYING PERIOD that includes any portion of 1995, an amended return or returns for 1995 must be filed with the tax authorities within 90 days of the end of the QUALIFYING PERIOD.

86. Similarly, staff members who were on a mission or assignment outside the United States which qualified them for the foreign income exclusion with a QUALIFYING PERIOD that included part or

and of 1994 or any prior tax year and who have not already claimed the exclusion on that year's income tax return(s) must file an amended return or returns requesting a refund with the applicable tax authorities within 90 days.

87. A copy of any amended return(s) to claim the foreign income exclusion must be submitted to the Payroll Unit at the time of the filing with the tax authorities. Since the foreign income exclusion on returns amended for this reason relates to United Nations income for which the United Nations has already provided reimbursement, most or all of the amount eventually received as a refund by the staff member as a result of the filing of the amended return(s) will be due to the United Nations. Upon receipt of the refund cheque, staff members must within 30 days bring or send it to the Payroll Unit for settlement of the balance due to the United Nations.

88. If it is determined by the Payroll Unit that a staff member has qualified for the foreign income exclusion for a past year which would require the staff member to file an amended return for that year, a notification will be sent to the staff member informing him or her of the need to file the amended return(s). If after 90 days following the date of the notification, the staff member has not submitted a copy of the properly amended return as filed with the tax authorities, the amount of tax reimbursement made by the United Nations for that year will be RECOVERED FROM SALARY starting the next month.

### F. Tax advances for staff members on mission or assignment outside the United States

89. Tax advances for 1996 for staff members who have qualified or are likely to qualify for the foreign income exclusion in 1996 will be made based only on any estimated United Nations income in excess of the expected exclusion. If for any reason the staff member does not later qualify for the exclusion, the United Nations will, in addition to reimbursing the tax actually due, pay any penalties due for the underpayment of the United Nations share of estimated taxes due.

90. Staff members who are newly assigned in 1996 to missions or offices outside the United States for a period of six months or longer must notify the Payroll Unit of their assignments prior to their departures. No further tax advances will be made to staff members who begin a six-month or longer assignment outside the United States prior to 15 August 1996. Staff members who return in 1995 from assignments outside the United States should notify the Payroll Unit in order to determine if 1996 quarterly estimated tax cheques need to be reinstated or increased.

G. Special provisions governing Social Security

91. United States citizens serving abroad (whether or not they qualify for the foreign income exclusion) do not have Social Security coverage and generally pay no Social Security contributions (self-employment taxes). However, to the extent that they spend time in the United States, whether on duty or on leave, their earnings for each such period are subject to the self-employment tax, which will be partially reimbursed by the United Nations in accordance with paragraphs 65 to 69 above.

92. The Social Security contribution (earnings subject to self-employment tax) for each such period should be calculated by multiplying the number of days spent in the United States (including the days of arrival and departure) by the daily rate of remuneration (calculated as a fraction of the then prevailing monthly rate), consisting of gross base salary, post adjustment and any salary allowances paid during the applicable period. The minimum amount of income that must be reported for self-employment/Social Security purposes in any year is $400.

## VI. SPECIAL PROVISIONS RELATING TO STAFF MEMBERS WHO HAVE ALREADY SEPARATED FROM THE UNITED NATIONS OR WHO ARE EXPECTING TO SEPARATE FROM THE UNITED NATIONS IN 1996

93. When a staff member leaves the Organization for any reason, he or she is still required to follow the procedures for requesting tax reimbursement for the last year in which she or he received compensation from the United Nations. Staff members who terminated or received final payment during 1995 are required to file the application forms with copies of their 1995 returns by the normal 1996 deadlines.

94. When a staff member who has received tax advances leaves the Organization before the end of a year, the Payroll Unit estimates the amount of reimbursement for taxes owed to the staff member for the partial year worked and compares it to the amount of advances already received. If the amount of advances already received exceeds the estimated reimbursements owed, the difference is subtracted from the staff member's final termination payment. Staff members who plan to leave the Organization and who wish to avoid such a deduction from their final payment should consult the Payroll Unit as soon as possible to reduce the amount of tax advances they will otherwise receive.

95. United Nations Joint Staff Pension Fund (UNJSPF) payments to retiring staff members may include full or partial lump-sum distributions, which include the staff member's own contributions to the Fund, the Organization's contributions and interest earned. The Organization's contributions, a portion of the staff member's contributions and interest earned are taxable income to the staff member.

96. UNJSPF payments to separating staff members who are not retiring may include full or partial withdrawal settlements, which include the staff member's own contributions to the Fund, the Organization's contributions in some cases, and interest earned. The Organization's contributions, if any, and interest earned are taxable income to the staff member.

97. The taxes on these UNJSPF payments may or may not be reimbursed by the United Nations, depending on the staff member's period of service. Retiring staff members who joined the Organization prior to 1 January 1980 are entitled to receive reimbursement for income taxes paid on partial or full lump-sum pension payments and withdrawal settlements received. Qualified staff members who wish such tax reimbursement from the United Nations for lump-sum payments should make sure to include these payments as part of net income on their tax returns in the year the payment is received. The United Nations will not reimburse any future taxes payable on such distributions if the income tax liability for these amounts is deferred to future years because the staff member has "rolled over" the payments into another qualifying pension plan or an IRA account.

98. The General Assembly, in resolution 34/165, decided that staff members joining the United Nations after 1 January 1980 will not be entitled to receive reimbursement for income taxes paid on partial or full lump-sum payments and withdrawal settlements received. Such staff members, who do not qualify for reimbursement, may wish to "roll over" lump-sum pension payments within 60 days of receipt into another qualifying pension fund or into an IRA account, so that taxes on the payments are deferred until distributions are received in later years.

99. Separating staff members who are members of the Pension Fund receive a letter from the secretariat of UNJSPF which provides the details of their contributions and United Nations payments. Staff members must submit a copy of this letter to the Payroll Unit by 31 December, so that the taxable portion of their distributions can be determined and the correct amounts incorporated into their Statement of Taxable Earnings. If the Statement of Taxable Earnings does not contain the taxable portion of any lump-sum or settlement payments received, a staff member is none the less required to include the correct amount in his or her total of taxable income reported to the tax authorities. Requests for reimbursement for taxes will not be processed for separated staff members if the Payroll Unit has not previously received a copy of the separation benefits letter from the secretariat of UNJSPF.

100. Staff members who have separated from the United Nations will receive no further tax advances. Taxable lump-sum or withdrawal settlement payments will often require additional estimated tax payments to be made to avoid penalties. The United Nations will not make additional advances for such separation distributions but will be prepared to reimburse any penalty incurred by the staff members related to the reimbursable portion of the United Nations payments.

UNITED NATIONS

# REQUEST FOR SETTLEMENT OF INCOME TAXES

To: PAYROLL UNIT, Room S-1830, Office of Programme Planning, Budget and Accounts, United Nations

Name: _____ Index no _____ Social Security no _____
Last First M.I. Mandatory Mandatory

Visa status: [ ] U.S. citizen since at least 1 January 1995 (Visa status "U")
[ ] U.S. permanent resident since at least 1 January 1995 and have signed the "Waiver" (Visa status "W")
[ ] Residency/citizenship status changed from _____ to _____, effective date _____ day/month/year

Duty status: [ ] Active staff member as at 31 December 1995
[ ] Separated staff member as at _____ day/month/year
[ ] Retired staff member as at _____ day/month/year
[ ] Other, please explain _____ SLWOP/SLWFP/ETC., effective date _____ day/month/year

Spouse has United Nations earnings subject to income Tax Reimbursement [ ] Yes [ ] No

If Yes, name of spouse: _____ Index no _____ Social Security no _____
Mandatory if Yes Mandatory if Yes

Mailing address: _____
Please provide address where you can be contacted with greatest certainty

Telephone number during business hours, if not active staff member: _____

UN/UNDP/UNICEF Department or Office: _____
Mandatory for active staff members, please adhere to United Nations naming conventions

Room no: _____ Telephone/Extension no: _____
Mandatory for active staff members, please adhere to building naming conventions

*Check one or both boxes.*

[ ] A I am requesting settlement of 1995 income taxes. *(Complete numbers 1 to 12 below.)*

[ ] B I am requesting advances to pay 1996 estimated income taxes. *(Complete numbers 1 to 5 and numbers 13 to 17 below.)*

## SECTION I - To be completed by all staff members

In consideration of any tax payments made to me, *I hereby certify* and give the following undertakings:

1. (a) I am, or have been assigned to a United Nations office outside the United States during 1994, 1995 or 1996 [ ] Yes [ ] No

(b) If I have checked "Yes", I have completed and attached form F 65/A [ ] Yes [ ] No

[ ] 2. I certify that any cheques made payable jointly to me and to a taxing authority (*two-party cheques*) received from the United Nations in response to my requests for tax advances or reimbursements have been or will be transmitted solely to the tax authorities named on the cheques to meet my income tax obligations and will *never be deposited into a personal account*.

[ ] 3. I certify that I will *provide* the United Nations, upon request, with acceptable *proof* of taxes paid or other documents or information as may be required to verify my tax liabilities.

[ ] 4. I certify that I will *refund* to the United Nations any *overpayment* of tax reimbursements or advances, together with any interest received as a result of any such overpayment made by the United Nations.

[ ] 5. I certify that any settlements which I have received from the United Nations for the purpose of meeting income tax liabilities of previous years have been paid by me to the appropriate tax authorities and that no part of such money has been refunded to me by the income tax authorities which I have not refunded to the United Nations.

## SECTION II - To be completed by all staff members requesting settlement for 1995 income taxes

[ ] 6. I certify that the signed copies of my income tax returns for 1995, which are attached, are *true, correct and complete copies* of final returns, that they correctly reflect my tax liabilities for 1995 and that they are the basis on which settlement for 1995 taxes are requested. If my request for settlement includes tax returns from states other than New York, New Jersey or Connecticut, or for municipal authorities other than New York City or Yonkers, I have attached to this application the tax rates and relevant instructions issued by the tax authorities.

[ ] 7. I certify that, as a United States citizen, I am *subject to United States self-employment tax* on my United Nations earnings and that I am entitled to the difference between the amount of the Social Security tax I am required to pay as a United Nations staff member and the amount I would have to pay as an employee of a taxable employer. I have reported my self-employment tax on my United States Income Tax Form 1040, and I have attached to my return a copy of Schedule SE.

[ ] 8. I certify that I have *minimized my income tax* for 1995 by utilizing all exemptions, adjustments to income and deductions to which I am entitled, including the *itemizing of deductions* if they exceed the standard deduction allowable.

[ ] 9. I certify that if I have received a United Nations dependency allowance for relative(s) residing in the United States, I have *claimed these relative(s) as dependant(s)* on my income tax returns.

[ ] 10. I certify that I will *notify* the United Nations within 30 days if for any reason it is necessary for me to file an *income tax return which is different* from the returns I have herewith submitted and will *furnish* a copy of the new return to the United Nations.

[ ] 11. I certify that I will *notify* the United Nations within 30 days of any *amended returns* subsequently filed or any change in my tax liability which might require adjustment of the tax payments received in any year.

[ ] 12. I have completed in full, signed, dated currently and attached an *ORIGINAL* of form F 243 (1-96).

## SECTION III - To be completed by all staff members requesting advances to pay 1996 estimated taxes

13. I request advances to pay the following estimated taxes for 1996:

[ ] Federal [ ] Social Security/self-employment [ ] State/city

14. I expect to itemize deductions in 1996. [ ] Yes [ ] No

If I have checked "Yes", my estimated total deductions for 1996 are:

Federal $_____ State/city $_____

15. My own (and, if applicable, my spouse's) total outside taxable income in 1996, other than United Nations income, is estimated to be: $_____

16. Total number of federal exemptions that will be claimed in 1996, including myself will be _____

17. I have moved into or out of New York State or New York City or Yonkers during 1995. [ ] Yes [ ] No

If I have checked "Yes", the date of my move was _____ (day/month/year) and I moved from _____

to _____

ALL INFORMATION CONTAINED HEREIN CERTIFIED TRUE AND CORRECT.

Date: _____ (day/month/year) Signature: _____

UNITED NATIONS

# REQUEST FOR SETTLEMENT OF INCOME TAXES: SUPPLEMENTARY INFORMATION TO FORM F.65

*To be completed by staff members on mission or assignment outside the U.S. during 1994, 1995 and/or 1996*

Name: _____ Index no.: _____

Staff member who have been on mission or assignment outside the United States for a substantial period may or may not qualify for a provision of the taxing authorities of the U.S. federal government and some states which allows as much as $70,000 per year of foreign earned income to be excluded from a taxpayer's taxable income in some circumstances.

Detailed information about the exclusion of foreign earned income can be found in the INFORMATION CIRCULAR from the Controller on PAYMENT OF INCOME TAXES and the instructions for IRS form 2555, which must be completed and attached to the tax returns of staff members who qualify for the exclusion.

It is necessary to complete this form in order to help the Payroll Unit to determine whether or not you have already qualified or are likely to qualify for the foreign earned income exclusion for tax years 1994 and/or 1995.

The data for 1995 are also essential for U.S. citizens who, while on assignment outside the United States, are subject to self-employment taxes to the extent that they spend time in the United States, whether on duty or on leave.

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[ ] I am currently outside the United States on mission or assignment. My most likely return date to an assignment in the United States is _____ day/month/year

[ ] I have indicated below each different period from 1 January 1994 to the present during which I was outside the United States, and I have attached an additional piece of paper for more entries, if necessary.

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

Date departed from U.S. _____ day/month/year Date returned to U.S. _____ day/month/year

CERTIFIED TRUE AND CORRECT

Date: _____ day/month/year Signature: _____

## CONSENT FOR THE INTERNAL REVENUE SERVICE TO DISCLOSE TAX RETURN INFORMATION TO THE UNITED NATIONS

Information contained in United States federal income tax returns is confidential and, except as authorized by the Internal Revenue Code, may not be disclosed to any person. Taxpayers may authorize the Internal Revenue Service to release this confidential tax return information to persons otherwise not entitled to receive such information.

The purpose of this consent is to authorize the Internal Revenue Service to disclose certain confidential tax information to the United Nations to assist the United Nations in verifying the United States income taxes you paid on your earnings from the United Nations. The United Nations will use this information in connection with its programme of reimburseing income taxes paid on United Nations emoluments, pursuant to staff regulation 3.3(f). The Internal Revenue Service has no involvement in such verification aside from processing any consents received from taxpayers and disclosing information in accordance with the terms of such consents. The United Nations will pay the fees incurred in processing the present consent.

You may revoke the present consent by writing to the Internal Revenue Service at:

Internal Revenue Service
1040 Waverly Avenue
Holtsville, N.Y. 11742
Attn: Photo Disclosure
Stop 532

No consent will be honoured by the Internal Revenue Service if a written revocation is processed at the designated address prior to a disclosure being made.

### CONSENT BY STAFF MEMBER

I, _____ hereby authorize
NAME OF STAFF MEMBER

the Internal Revenue Service to disclose to the United Nations tax information including a transcript of my Federal income tax account(s) for 1995/1994/1993/1992. The return(s) was/were filed under the name(s) of
(Cross out only those year(s) during which you were NOT a United Nations staff member.)

_____
NAME(S) UNDER WHICH 1995 IRS FORM 1040 FILED

at _____
ADDRESS AS ON 1995 IRS FORM 1040 FILED

showing my Social Security Number _____ and that of my spouse _____
IF APPLICABLE

If I revoke this consent, I authorize the Internal Revenue Service to disclose a copy of my revocation, or the fact that I have revoked, to the United Nations.

I request the Internal Revenue Service to transmit the above information to:

United Nations
New York, N.Y. 10017

**Signature*:** _____ **Date:** _____
MONTH/DAY/YEAR

***Even if the tax return is a joint one, this form need only be signed by the staff member concerned.**

**INSTRUCTIONS:** *Please fill out the form above by printing you name, the name(s) under which your return was filed, your current address and social security number(s) in the appropriate blanks. If you were not a staff member of the United Nations during any of the four years listed on the third line, you may cross out that/those year(s), but make no other changes or notations on the form. Sign and date the form at the bottom, making sure that you follow the format shown, that is, "**MONTH/DAY/YEAR**". YOU MUST RETURN THIS FORM WITH AN **ORIGINAL** SIGNATURE AND DATE. **COPIES OF THIS FORM ARE NOT ACCEPTABLE**.*